

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 IO-14 PA-04 PRS-01 USIA-15 L-03 H-03 /194 W

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FM AMEMBASSY ROME

TO TREASURY DEPT WASHDC PRIORITY

SECSTATE WASHDC PRIORITY 7186

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 116522: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

1. SUMMARY. ADJUSTED BALANCE OF PAYMENTS FOR FIRST HALF OF SEPTEMBER REGISTERED SURPLUS OF \$101 MILLION, REDUCING CUMULATIVE ADJUSTED DEFICIT FOR EIGHT AND ONE-HALF MONTH PERIOD TO \$6,206 MILLION. FIRST HALF SEPTEMBER SURPLUS WAS PRECEDED BY \$12.5 DEFICIT DURING AUGUST AND \$306.1 MILLION SURPLUS IN JULY. WEIGHTED AVERAGE LIRE EXCHANGE RATE WEAKENED SLIGHTLY DURING FIRST HALF OF MONTH.

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END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR FIRST HALF OF SEPTEMBER SHOW ADJUSTED SURPLUS OF \$100.7 MILLION; E.E., RECORDED SURPLUS OF \$70.7 MILLION PLUS LOAN REPAYMENT OF \$30 MILLION ON EARLY 1974 EUROMARKET BORROWING BY BANCA NAZIONALE DEL LAVORO. MAIN DEVELOPMENTS DURING PRIOD WERE DECREASEIN OFFICIAL BOI CONVERTIBLE CURRENCY HOLDINGS BY \$335 MILLION REFLECTING REPAYMENTS OF \$348 MILLION BY COMMERCIAL BANKS ON THEIRNET FOREIGN LIABILITIES AND DECLINE IN MEDIUM-TERM LIABILITIES OF ABOUT \$50 MILLION (APPARENTLY REPAYMENT ON \$150 MILLION MONTEDISON LOAN EARLIER THIS YEAR). OTHER SMALL CHANGES IN OFFICIAL ACCOUNTS SHOWED POSITIVE \$8 MILLION FIGURE.

3. RECORDED CUMULATIVE DEFICIT FOR EIGHT AND ONE-HALF MONTH PERIOD FROM JANUARY THROUGH SEPTEMBER 15 WAS \$4,086 MILLION AND ADJUSTED CUMULATIVE DEFICIT (INCLUDING EUROMARKET BORROWINGS OF \$2150 LESS \$30 MILLION BNL REPAYMENT) WAS \$6,206 MILLION. DEFICIT HAS BEEN FINANCED BY DECLINE IN BOI FOREIGN EXCHANGE ASSETS BY #900 MILLION, DECREASE IN NET IMF POSITION BY \$355 MILLION AS RESULT OF DRAWING DOWN OF SSPR GOLD TRANCHE, REDUCTION IN NET SHORT-TERM LIABILITIES BY \$349 MILLION MAINLY AS RESULT OF REPAYMENTS OF SWAPS WITH BELGIAN CENTRAL BANK, INCREASE IN MEDIUM AND LONG-TERM LIABILITIES OF \$2,326 MILLION (INCLUDING EC CREDIT, MONTEDISON COMPENSATORY LOAN AND IMF STANDBY LIABILITY), NET EUROMARKET BORROWINGS OF \$2,120, NET SHORT-TERM BORROWINGS OF COMMERCIAL BANKS OF \$846 MILLION, AND REDUCTION OF \$8. MILLION IN SDR HOLDINGS.

4. ON SEPTEMBER 27 LIRA EXCHANGE RATE WAS 661.45 LIRE PER DOLLAR, THREE-MONTH FORWARD RATE WAS 674. 95 AND WEIGHTED AVERAGE DEVALUATION OF LIRE, ACCORDING TO BOI INDEX, WAS 18.68 PERCENT. ON SAME DATE, THREE-MONTH EURO-LIRA INTEREST RATE WAS 20.25 PERCENT AND LIRA INTERBANK INTEREST RATES WERE 16.5625 (48-HOUR RATE) AND 17.1925 (THREE-MONTH RATE). BEAUDRY

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